

Message Text

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70/10

ACTION EA-10

INFO OCT-01 ISO-00 SS-15 NSC-05 CIAE-00 DODE-00 INR-07

NSAE-00 PA-01 USIA-06 PRS-01 SP-02 SAM-01 EB-07

TRSE-00 OMB-01 /057 W

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R 060743Z JUN 75

FM AMEMBASSY CANBERRA

TO SECSTATE WASHDC 5921

INFO AMEMBASSY WELLINGTON

AMCONSUL MELBOURNE

AMCONSUL SYDNEY

CINCPAC

LIMITED OFFICIAL USE CANBERRA 3700

C O R R E C T E D C O P Y (E.O TAGS AND SUBJ OMITTED)

CINCPAC FOR POLAD

1. SUMMARY: IN STATEMENTS TO HOUSE OF REPRESENTATIVES AND IN PRESS CONFERENCE JUNE 5 DEPUTY PRIME MINISTER CAIRNS STATED HE HAD BEEN RELIEVED OF HIS PORTFOLIO AS TREASURER (SEPTTEL) AS CONSEQUENCE OF IMPROPER CIRCULATION BY TREASURY OFFICIALS OF LETTERS HE (CAIRNS) HAD WRITTEN TO MELBOURNE BUINESSMAN ON OBTAINING ARAB PETRO-DOLLAR LOANS. NO LOANS WERE ARRANGED AS RESULT OF CORRESPONDENCE. FACTS ARE COMPLEX, BUT APPEARS LIKELY THAT WHITLAM USED THIS SHADOWY AFFAIR AS EXCUSE TO DEMOTE CAIRNS. WE DOUBT THERE WILL BE ANY FURTHER INQUIRY INTO MATTER AND SUSPECT THAT AFFAIR WILL SHORTLY BLOW OVER. END SUMMARY.

2. IN STATEMENT TO HOUSE OF REPRESENTATIVES JUNE 5 AND IN SUBSEQUENT PRESS CONFERENCE SAME DAY DEPUTY PRIME MINISTER J.F. CAIRNS STATED THAT HE HAD BEEN RELIEVED OF HIS PORTFOLIO AS TREASURER (SEE SEPTTEL) AS CONSEQUENCE OF IMPROPER CIRCULATION OF LETTER HE HAD WRITTEN TO MELBOURNES BUSINESSMAN
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ON OBTAINING ARAB PETRO-DOLLAR LOANS. IN STATEMENT TO HOUSE

CAIRNS SAID THERE IS NO REASON TO HAVE ANY FURTHER INQUIRY INTO MATTER, BUT IN PRESS CONFERENCE TWO HOURS LATER CAIRNS SAID HE FELT THERE SHOULD BE INQUIRY AND THAT HE HAD SO ADVISED PRIME MINISTER.

3. AFFAIR IS HIGHLY COMPLEX AND OF ONLY PASSING INTEREST TO U.S., BUT AS IT MIGHT BE CENTER OF FURTHER POLITICAL CONTROVERSY, BRIEF SUMMARY OF MAIN FACTS FOLLOWS:

4. IN PARLIAMENTARY STATEMENT CAIRNS SAID HE HAD WRITTEN THREE NOTES FOR MELBOURNE BUSINESSMAN GEORGE HARRISS, DATED MAR 10, 1975, AND APRIL 15. MAR 10 NOTE SIMPLY STATED THAT QTE THE AUSTRALIAN GOVERNMENT IS WILLING TO BORROW FUNDS FROM LENDERS OVERSEAS ON TERMS AND CONDITIONS SUITABLE TO US. END QTE. THERE WERE TO APR 15 LETTERS ONE OF WHICH WAS ADDRESSED QTE TO WHOM IT MAY CONCERN END QTE AND AUTHORIZED GEORGE HARRISS TO MAKE INQUIRIES INTO BORROWING ON FAVORABLE CONDITIONS. OTHER LETTER, ADDRESSED TO HARRISS, SAID QTE IN THE EVENT THAT THE AUSTRALIAN GOVERNMENT OR ITS REPRESENTATIVES OR NOMINEES SUCCESSFULLY NEGOTIATES THE BORROWING OF OVERSEAS FUNDS INTRODUCED OR ARRANGED BY YOU, AN APPROPRIATE COMMISSION WOULD BE PAID TO YOU OR YOUR NOMINEES. END QTE.

5. CAIRNS THEN STATED THAT COPY OF QTE TO WHOM IT MAY CONCERN END QTE LETTER WAS SENT TO AUSTRALIAN TREASURY BY ED SHANN, WHOM HE LATER, AT PRESS CONFERENCE, IDENTIFIED AS TREASURY LIAISON OFFICER IN CAIRNS' PARLIAMENTARY OFFICE. (COMMENT: THIS MUST BE SIMPLE CONFUSION OF NAMES, AS AUSTRALIAN GOVERNMENT DIRECTORY FOR 1975 LISTS ED SWANN, NOT ED SHANN, AS TREASURY LIAISON OFFICER WITH OFFICE OF DR. CAIRNS.) CAIRNS SAID THAT QTE SHANN END QTE HAD LEFT HIS OFFICE ON JUNE 5 AND WOULD NOT BE RETURNING TO IT. CAIRNS ALSO SAID THAT PORTIONS OF HIS LETTERS TO AND CONCERNING HARRISS HAD BEEN QUOTED BY DEPT OF TREASURY OFFICIALS IN DISCUSSIONS WITH OFFICIALS OF ATTORNEY-GENERAL'S DEPT, BUT WITH WHAT CAIRNS REGARDED AS SIGNIFICANT OMISSIONS. CAIRNS NOTED THAT PRIME MINISTER CONSIDERED HE (CAIRNS) HAD BEEN IN ERROR IN DEALING WITH HARRISS CONTRARY TO ADVICE OF DEPT OF TREASURY. CAIRNS MADE CLEAR AT PRESS CONFERENCE HIS VIEW THAT MISUSE OF HIS LETTERS LIMITED OFFICIAL USE

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TO HARRISS BY TREASURY DEPT HAD LED PRIME MINISTER TO TRANSFER HIM FROM POSITION AS TREASURER.

6. AS MATTER OF INTEREST, NO RPT NO LOANS WERE ARRANGED AS RESULT OF THIS CORRESPONDENCE.

7. COMMENT: THERE IS NO POINT IN GOING ANY FURTHER INTO DETAIL OF THIS SHADOWY AFFAIR. CAIRNS CERTAINLY BEHAVED IN

CURIOUS FASHION IN DEALING WITH BUSINESSMAN TO ARRANGE FOR ARAB LOANS, RAHTER THAN USING AUSTRALIAN GOVERNMENT CHANNELS, AND CONCERN OF TREASURY DEPT LIAISON OFFICER OVER MATTER WAS QUITE NATURAL AND REASONABLE. AUSTRALIAN MEDIA COMMENT ON AFFAIR THIS FAR IS MUCH ALONG THESE LINES.

8. EMBASSY DOUBTS THAT WHITLAM WAS REALLY CONCERNED OVER WAY CAIRNS HANDLED CORRESPONDENCE WITH BUSINESSMAN. CAIRNS, IN EFFECT, PROVIDED WHITLAM WITH GOLDEN OPPORTUNITY TO SHIFT HIM FROM TREASURY, WHERE HIS PERFORMANCE HAS BEEN OF NO GREAT HELP TO LABOR GOVERNMENT, AND NET RESULT IS THAT CAIRNS HAS BEEN ELIMINATED AS PROBLEM FOR WHITLAM. WE DOUBT WHITLAM WILL WANT TO HAVE ANY FURTHER INQUIRY INTO MATTER.
GREEN

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